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IN THE

**Supreme Court of the United States**

OCTOBER TERM, 1947.

REYNOLDS METALS COMPANY, PETITIONER,

v.

C. D. SKINNER AND LEO C. BRADLEY, RESPONDENTS.

**PETITION FOR WRIT OF CERTIORARI.**

To the United States Circuit Court of Appeals

For the Sixth Circuit

and

**BRIEF OF PETITIONERS.**

In Support of Petition.

✓ ROBERT P. PATTERSON,

WALTER L. RICE,

W. LEE HELMS,

*Counsel for Petitioner.*

ELMER M. CUNNINGHAM,

*of Counsel.*



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**PETITION FOR A WRIT OF CERTIORARI TO THE  
UNITED STATES CIRCUIT COURT OF AP-  
PEALS FOR THE SIXTH CIRCUIT.**

*To the Honorable the Chief Justice and Associate Justices  
of the Supreme Court of the United States:*

Your petitioner, Reynolds Metals Company, respectfully prays for a Writ of Certiorari to the Circuit Court of Appeals for the Sixth Circuit, to review a judgment in that Court entered February 12, 1948, affirming a judgment in favor of respondents in the District Court for the Western District of Kentucky. The case was tried without a jury. Transcript of the Record in the case, including the proceedings in said Circuit Court of Appeals, is furnished herewith in accordance with Rule 38 of the Rules of this Court.

### **Opinions Below.**

The findings of fact and conclusions of law of the District Court (R. 80-94) are reported in 61 Fed. Sup. 306. The opinion of the Circuit Court of Appeals (R. 635) is reported in 166 Fed. 2d 66.

### **Jurisdiction.**

This is a suit arising under contract and involving the construction and scope of patents. The jurisdiction of this Court is invoked under Judicial Code, Section 240 (a), 28 U. S. C. Section 347.

The judgment your petitioner seeks to have reviewed is dated February 12, 1948, the date of entry of the judgment in the Circuit Court of Appeals.

### **Summary and Short Statement of the Matter Involved.**

#### **I.**

The action was brought to recover royalties under a contract of conventional type. The contract provided for assignment of patentable inventions by Skinner and Bradley, for which they were entitled to royalties on all products embodying "the inventions disclosed and claimed in any such patent".

The petitioner defended on the ground that after a given date in 1943 the products made and sold by it did not embody any "inventions disclosed and claimed in any such patent". The principal issue in the case, therefore, turned on the extent and scope of the inventions under the patents.

The Circuit Court of Appeals, in deciding what the patentees' inventions were under the patents, ruled that

prior art was immaterial. It held that the scope of claimed inventions must be determined solely on the face of the patents.

The Circuit Court of Appeals held:

"Since the issue is not one of infringement, we are not concerned with the prior art. *Carbo-Frost, Inc. v. Pure Carbonic, Inc.*, 103 Fed. 2d 210, 223. . . . The case is before us on the applications, drawings and specifications which reveal the inventive conceptions not limited by the rules applicable in infringement cases. *Stubnitz-Greene Spring Corp. v. Fort Pitt Bedding Co., supra*" (110 Fed. 2d 192, C. C. A. 6).

The authorities cited are not in point and the holding gave to the patentees an extravagant enlargement of the patent monopoly. It compels an assignee or licensee of a patent to pay royalties<sup>1</sup> for the use of structures under expired patents as well as structures disclaimed by the patentee.

## II.

The Circuit Court of Appeals also held that the petitioner must pay the stipulated royalties because it continued to use *unpatented* devices originated by Skinner and Bradley.

The error here is manifest. The contract obligation of Skinner and Bradley to assign inventions was limited to *patentable* inventions. The obligation of the petitioner was to pay royalties on products made "in accordance with or embodying the inventions disclosed and claimed in any such *patent*". (Emphasis supplied.) There was no agreement to pay any royalties on unpatented devices.

<sup>1</sup> Petitioner operated as agent for Defense Plant Corporation in 1944, and a substantial part of the judgment is chargeable to the United States.

### Questions Presented.

1. Where the assignee or licensee of a patent agrees to pay royalties on products which embody the "inventions" disclosed and claimed in a patent, and where the issue in an action brought to recover royalties is whether the assignee's or licensee's products embodied such "inventions", may the Court determine the scope of the inventions by disregarding the prior art and the limitations of the patent claims, and examining merely the face of the patents?

2. Where under a royalty contract the obligation of an assignor was limited to the assignment of patentable inventions and the royalty obligation of the assignee was confined to products made "in accordance with or embodying the inventions disclosed and claimed in any such patent", was a contract correctly interpreted to impose royalties on unpatented devices, particularly where there was no prior notice of any such claim or identification of any unpatented device so affected?

### Reasons Relied on for Allowance of the Writ.

1. The decision of the Circuit Court of Appeals, that in a suit to recover royalties the scope of the inventions must be determined solely by the face of the patents, and to the exclusion of the prior art and the limitations of the patent claims, runs counter to fundamental principles of patent law. Cf. *Scott Paper Co. v. Marcalus Manufacturing Co.*, 326 U. S. 249; *Schriber-Schroth Co. v. Cleveland Trust Co.*, 311 U. S. 211; *Westinghouse Electric & Manufacturing Co. v. Formica Insulation Co.*, 266 U. S. 342. This doctrine laid down by the Circuit Court of Appeals improperly extends the patent monopoly. It recaptures for the patentee subject



matter in the public domain, including claims abandoned or rejected during the pendency of the patent applications.

2. The decision of the Circuit Court of Appeals is in direct conflict with decisions in other circuits: Second Circuit, *Limbershaft Sales Corp. v. A. G. Spalding & Bros.*, 111 Fed. 2d 675; Seventh Circuit, *Kessel v. Vidiro Products Corp.*, 113 Fed. 2d 381. It appears that this important question of law has not been, but should be, settled by this Court.

3. The Circuit Court of Appeals misapplied the law as to the patent royalty contract, and erroneously included unpatented devices as subject to royalty.

WHEREFORE your Petitioner respectfully prays for an allowance of a Writ of Certiorari.

Respectfully submitted,

ROBERT P. PATTERSON,  
WALTER L. RICE,  
W. LEE HELMS,  
Counsel for Petitioner

ELMER M. CUNNINGHAM,  
of Counsel.

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**BRIEF IN SUPPORT OF PETITION.****Statement of Facts and Decisions of Courts Below.**

In this case the Circuit Court of Appeals for the Sixth Circuit laid down the rule that in an action to recover royalties under a patent royalty contract of the ordinary type the scope of the invention covered by the patent is to be determined by the face of the patent alone, without regard to the prior art. That doctrine, we submit, is an unwarranted enlargement of the patent monopoly and is at variance with basic principles of patent law.

The action was brought in the District Court for the Western District of Kentucky to recover royalties under a patent royalty contract of conventional type. The contract, after providing for employment of Skinner and Bradley (the respondents) for three years at specified compensation (R., p. 3, last par.) (an employment fully performed and not in controversy), required assignment of an existing patent

for an alleged improvement in extrusion of metals; assignment of inventions for which applications for patents had been or were to be made; and assignment of any future inventions in extrusion of metals that might be perfected during said employment, Skinner and Bradley agreeing to make applications for patent thereon (R., p. 4).

It will be noted that the assignments called for by the contract were to cover *patentable* inventions, and nothing else.

The royalty obligation of petitioner was to pay

“ \* \* \* royalties for the life of the patents covered hereby *on all extrusion products made in accordance with or embodying the inventions disclosed and claimed in any such patent* \* \* \* as follows \* \* \* ”  
(R., pp. 8-9, emphasis supplied.)

There was also a provision for minimum royalty.

As to royalties it will be noted that the royalties were for use of *patented* inventions, and nothing else.

In accordance with the contract Skinner and Bradley assigned patents purporting to cover inventions for extrusion of metals. They later brought this action for royalties.

Petitioner's defense was that it had ceased use of the patented inventions. It contended that each invention, when measured by the prior art and by the disclaimers made to the Patent Office, was confined to the combination recited in the patent claims, and that the structures used by the petitioner did not come within the scope of the inventions as thus measured, said structures having been changed so as to follow merely the prior art. Petitioner introduced in evidence the Patent Office file wrappers and the prior art.

The District Court (69 Fed. Sup. 306) found use of the patents or their equivalents (Finding 21, R. p. 90), without consideration of the prior art, or the disclaimers, and the limitations of the patent claims.

Neither did the Circuit Court of Appeals (Opinion, R. 635; 166 Fed. 2d 66) consider the disclaimers or give effect to the limitations of the patent claims, and it expressly refused to consider the prior art, saying:

"Since the issue is not one of infringement, we are not concerned with the prior art. *Carbo-Frost, Inc. v. Pure Carbonic, Inc.*, 103 F. 2d 210, 223 (C. C. A. 8), and the rules announced in infringement cases such as *Scott Paper Co. v. Marcalus Mfg. Co., Inc.*, 326 U. S. 249 (67 USPQ 193), have no bearing here.

"The case is before us on the applications, drawings and specifications which reveal the inventive conceptions not limited by the rules applicable in infringement cases. *Stubnitz-Greene Spring Corp. v. Fort Pitt Bedding Co., supra.*" (C. C. A. 6, 110 Fed. (2) 192)

The Circuit Court of Appeals further held that the petitioner must pay the stipulated royalties, because it continued to use *unpatented* devices claimed to have been originated by Skinner and Bradley.

The errors are plain. The contract obligation of Skinner and Bradley to assign inventions to the petitioner was limited to *patentable* inventions (R., p. 4). So, too, the contract obligation of the petitioner to pay royalties was limited to royalties on products made "in accordance with or embodying the inventions disclosed and claimed in any such patent" (R. p. 8, last par.). To determine whether the petitioner's structures fell within the inventions disclosed in the patents, the courts below had to ascertain what those inventions consisted of. There was no proper way to find out other than to examine the patents in the light of the prior art.

As for the *unpatented* devices, it is manifest that the royalty clause of the contract did not embody an obligation to pay royalties for use of *unpatented* devices.

## Summary of Argument.

The decision of the Circuit Court of Appeals: (1) improperly enlarges the patent monopoly and runs counter to principles set forth by this Court; (2) is in direct conflict with decisions in two other Circuit Courts of Appeals; and (3) erroneously included unpatented devices as subject to royalty.

## ARGUMENT.

### POINT I.

**The rules of law laid down by the Circuit Court of Appeals improperly enlarges the patent monopoly and runs counter to decisions of this Court.**

The decision holds petitioner subject to royalty for use of a tapered die and its tapered ring enclosure as disclosed in an expired prior art patent (R., p. 648). That patent had been cited by the Patent Office against a broad claim, and resulted in cancellation of the claim by respondents and restriction of the granted claims to a combination petitioner never used.

Thus the Circuit Court of Appeals departed from basic principles in the law of patents. *Scott Paper Co. v. Marcalus Manufacturing Co., Inc.*, 326 U. S. 249, holds that an assignor is not infringing the patent he assigned if he is operating squarely under a prior expired patent.

The decision in the instant case also holds petitioner responsible for royalties by reason of claims that had been cancelled. In that aspect it is in principle opposed to *Westinghouse Electric & Manufacturing Co. v. Formica Insulation Co.*, 266 U. S. 342, 350-2. In that case an assignor,

sued for infringement by his assignee, was permitted to narrow and limit the claims of the patent in the light of the prior art.

In short, the subject matter of abandoned and rejected claims and expired patents, as a matter of public policy, can never be recaptured by a patentee through the doctrine of equivalents or otherwise.

“It is a rule of patent construction consistently observed that a claim in a patent as allowed must be read and interpreted with reference to claims that have been cancelled or rejected and the claims allowed cannot by construction be read to cover what was thus eliminated from the patent.” *Schriber-Schroth Co. v. Cleveland Trust Co.*, 311 U. S. 211, 220.

No true distinction can be made on the ground that the three cases cited above are infringement suits. There is no sound reason to deny recapture by a patentee of subject matter in the public domain in an infringement suit and to permit it in a royalty action. It does not make sense to measure the invention one way in infringement litigation and a different way in royalty litigation.

If an assignee is, simply by paying royalties, barred from measuring an invention by the prior art and abandoned claims, it will virtually be impossible for him to determine the bounds of the patent monopoly, and he will be held liable for using old devices and those revealed in expired patents.

Thus the Circuit Court of Appeals failed to follow the principles of law laid down by this Court, that the invention is to be measured by the patent claims, in the light of the prior art and abandoned and rejected claims and that no part of the prior art can be taken from the public domain

and given to the patentee. The reasoning of the Circuit Court of Appeals is summarized in the following excerpt from its opinion (R., p. 646):

"Since the issue is not one of infringement, we are not concerned with the prior art, *Carbo-Frost, Inc. v. Pure Carbonic, Inc.*, 103 Fed. (2d) 210, 223 (C. C. A. 8), and the rules announced in infringement cases such as *Scott Paper Co. v. Marcalus Mfg. Co., Inc.*, 326 U. S. 249, have no bearing here.

"The case is before us on the applications, drawings and specifications which reveal the inventive conceptions not limited by the rules applicable in infringement cases. *Stubnitz-Greene Spring Corp. v. Fort Pitt Bedding Co., supra*" (110 Fed. 2d 192, C. C. A. 6).

## POINT II.

### The Circuits Are in Conflict.

The decision of the Circuit Court of Appeals for the Sixth Circuit is in direct conflict with decisions of the Circuit Courts of Appeals for the Second and Seventh Circuits:

*Limbershaft Sales Corp. v. A. G. Spalding & Bros.*, 111 Fed. 2d 675 (C. C. A. 2);

*Kessel v. Vidiro Products Corp.*, 113 Fed. 2d 381 (C. C. A. 7).

Both the *Kessel* and *Limbershaft* cases directly permit a licensee to limit and narrow the scope of a patent by reference to the prior art to show that he need not pay royalties on a specific product. In the *Limbershaft* case the licensee admittedly paid royalties on the same or a similar product but no estoppel arose.

In the present case the Circuit Court of Appeals apparently thought petitioner was attacking the validity of the patents. Petitioner did not dispute the validity of the patents but only endeavored to have the actual inventions defined in the light of the prior art and abandoned and rejected claims.

The doctrine that a licensee or assignee of a patent is estopped to deny its validity is of doubtful merit. Be that as it may, the doctrine of estoppel should not be extended, as it has been in the present case, to foreclose a licensee or assignee from showing the actual scope of the invention covered by the patent.

### POINT III.

**The Circuit Court of Appeals erroneously included unpatented devices as subject to royalty.**

The District Court and the Circuit Court of Appeals differed somewhat in respect to the unpatented devices. The District Court thought that petitioner had bought the experience of the respondents and that this covered the unpatented devices. The Circuit Court of Appeals rejected this position, indicating its view that the buying of experience was covered by the salary and the royalty on the patents. The common ground of both Courts, however, seems to be a clause of the contract which reads as follows:

“The party of the second part may terminate its obligation to pay royalty hereunder at any time by discontinuing the extrusion of metals under and by means of the processes, patents and devices of the first part, and the reassignment to them, jointly or severally, as they may have been the patentees of patents and/or applications assigned by them to the party of the second part under the terms of this agreement \* \* \*” (R., p. 6).



Since there is no reference anywhere in the contract to unpatented devices and the obligations concerned only patented or patentable inventions, there is no reason to read unpatented devices into this clause.<sup>1</sup> In any event, the only obligation of the petitioner for payment of royalties, as pointed out above, was to pay royalties on products made "in accordance with or embodying the inventions disclosed and claimed in any such patent" (R., p. 8, last par.). There was no royalty to be paid except the minimum royalty if it was not using the assigned patents.

By the employment provisions of the contract the respondents were obligated to devote their time and skill to the extrusion of metals at tasks assigned to them by the petitioner. Obviously anything accomplished during such assigned tasks was covered by the remuneration paid for the employment, which obligation of the petitioner was admittedly fully performed.

WHEREFORE your Petitioner earnestly prays that the Petition for Writ of Certiorari be granted, the cause reviewed, and the decree of the Circuit Court of Appeals for the Sixth Circuit reversed.

Respectfully submitted,

ROBERT P. PATTERSON,  
WALTER L. RICE,  
W. LEE HELMS,  
Counsel for Petitioner.

ELMER M. CUNNINGHAM,  
Of Counsel.

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<sup>1</sup> No such contention and identification of any unpatented device so affected, was made by respondents prior to this suit. (*Shaw v. Cooper*, 32 U. S. 292, 321; *Wade v. Metcalfe*, 129 U. S. 202.)